

OWEN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2007

OWEN COUNTY SCHOOL DISTRICT
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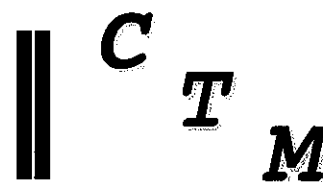
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INDEPENDENT AUDITOR'S REPORT

Owen County Board of Education
New Castle, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owen County Board of Education, as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owen County Board of Education, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 13 through 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Board. The combining

and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles T. Mitchell Co.

Frankfort, Kentucky
September 21, 2007

**Owen County Board of Education – Owenton, Ky.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007**

As management of the Owen County School District, "the District", we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

Financial Highlights

- The ending unreserved fund balance for the General Fund in fiscal year 2006 was \$ 2,733,707 and the ending unreserved balance for 2007 was \$ 2,319,448. This was a decrease of \$ 414,259 for the year. This was mainly due to the amended Staffing Formula that went into effect for 2007 and generated an additional nine certified positions..
- The General Fund had \$12,653,565 in revenue, which included \$ 2,323,440 of payments made by the State on behalf of the District for health insurance and flex spending. The major categories of revenue consisted primarily of the State program (SEEK) and property and motor vehicle taxes. Breakdown of revenue sources: State revenues-77.45%; taxes-22%; federal-.5% and other-.2%.
- The District General Fund expenses were as follows: Instruction-56.4%; Student Support Services-4.4%; Staff Support Services-2.4%; District Administration-2.7%; School Administration-7.1%; Business Support Services-3.7%; Plant Operation & Maintenance-14.5%; Student Transportation-8.4%; Food Service-.1%; and Community Service Operations-.1%; and Fund Transfer-.2%.
- The District also received significant local revenues (\$667,864) from property taxes and utility taxes in Building Fund. These funds were used to pay District debt service payments.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. No new bonds were issued in 2007.
- The District adopted the Facility Plan as presented by the Local Planning Committee in July 2007. The District purchased property during the 2007 fiscal year in order to meet the District's facility needs. A new middle school will be constructed on this site.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues(governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a governmental financial position. In the case of the District, assets exceeded liabilities by \$16,056,147 for Governmental Activities, and \$252,558 for Business-Type Activities as of June 30, 2007.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2007 as compared to June 30, 2006:

	Governmental Activities		Business Type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
ASSETS						
Current and other assets	\$ 4,867,307	\$ 4,733,584	\$ 155,930	\$ 143,751	\$ 5,023,237	\$ 4,877,335
Capital assets	19,632,826	20,042,577	96,628	86,258	19,729,454	20,128,835
Total assets	<u>\$ 24,500,133</u>	<u>\$ 24,776,161</u>	<u>\$ 252,558</u>	<u>\$ 230,009</u>	<u>\$ 24,752,691</u>	<u>\$ 25,006,170</u>
LIABILITIES						
Long-term debt outstanding	\$ 7,870,000	\$ 8,745,000	\$	\$	\$ 7,870,000	\$ 8,745,000
Other Liabilities	573,986	402,361			573,986	402,361
Total liabilities	8,443,986	9,147,361			8,443,986	9,147,361
NET ASSETS						
Investment in capital assets net of related debt	11,762,826	11,297,577	96,628	86,258	11,859,454	11,383,835
Restricted	1,207,465	1,606,008	21,906		1,229,371	1,606,008
Unrestricted	3,085,856	2,725,215	134,024	143,751	3,219,880	2,868,966
Total net assets	<u>\$ 16,056,147</u>	<u>\$ 15,628,800</u>	<u>\$ 252,558</u>	<u>\$ 230,009</u>	<u>\$ 16,308,705</u>	<u>\$ 15,858,809</u>

Comments on Budget Comparisons

- 1) Excluding on-behalf payments of \$2,323,441, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$ 182,247 or 1.8% more than budgeted.
- 2) Actual General Fund expenditures, net of on-behalf payments of \$2,323,441 compared to budget expenditures, net of contingency allotments, was \$648,290 or 5.7% less than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2007 for selected funds.

Summary of Revenues	Business Type					
	Activities		Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues:						
Program revenues:						
Charges for services	\$	\$	\$ 334,989	\$ 303,521	\$ 334,989	\$ 303,521
Operating grants & contributions	1,733,333	1,584,075	550,931	582,331	2,284,264	2,166,406
Capital grants & contributions	144,690	381,553			144,690	381,553
General revenues:						
Property taxes	2,783,515	2,631,204			2,783,515	2,631,204
Other taxes	425,069	376,123			425,069	376,123
Investment earnings	314,580	179,880	7,345	5,133	321,924	185,013
State and formula grants	11,393,892	8,922,266	71,855	12,732	11,465,748	8,934,998
Gain(loss) on sale of asset	6,259				6,259	
State on behalf payments		1,982,616	12,522	60,329	12,522	2,042,945
Miscellaneous	77,529	152,875			77,529	152,875
Total Revenues	16,878,866	16,210,592	977,642	964,046	17,856,509	17,174,638
Summary of Expenses:						
Expenses:						
Instruction	9,064,242	8,339,299			9,064,242	8,339,299
Support Services:						
Student	619,395	467,840			619,395	467,840
Instructional staff	510,701	461,507			510,701	461,507
District administration	352,364	368,971			352,364	368,971
School administration	931,536	908,457			931,536	908,457
Business	520,180	487,625			520,180	487,625
Plant operations and maintenance	2,031,413	1,503,529			2,031,413	1,503,529
Student transportation	1,103,867	1,006,814			1,103,867	1,006,814
Food Services	19,272	12,463	955,094	938,022	974,366	950,485
Community Service	250,506	180,591			250,506	180,591
Interest on long term debt	297,245	340,454			297,245	340,454
Depreciation	750,799	766,191			750,799	766,191
Other		(31,084)				(31,084)
Total Expenses	16,451,519	14,812,657	955,094	938,022	17,406,613	15,750,679
Increase(decrease) in net assets before transfers	427,347	1,397,935	22,549	26,024	449,896	1,423,959
Transfers						
Increase(decrease) in net assets	427,347	1,397,935	22,549	26,024	449,896	1,423,959
Net assets - beginning	15,628,800	14,230,865	230,009	203,985	15,858,809	14,434,850
Net assets - ending	\$ 16,056,147	\$ 15,628,800	\$ 252,558	\$ 230,009	\$ 16,308,705	\$ 15,858,809

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget for 2007-08 with a 7.6% contingency. Significant Board action that impacts the finances includes a \$ 3,000 pay increase and additional two work days for all certified staff, 5% pay increase for classified staff, 2% pay increase for extra-curricular staff and district substitute employees. The Board of Education also gave additional certified positions to the elementary (one position), middle (two positions) and high school (three positions) outside the SBDM allocation. Money has been budgeted to account for a possible increase in Preschool numbers which could result in the addition of one classroom..

Capital Assets & Debt Administration

Capital Assets (Net of Depreciation)

As of June 30, 2007, the District had invested \$ 30,543,083 in capital asset as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$ 365,764. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Land	\$ 1,270,782	\$ 1,259,035	\$	\$	\$ 1,270,782	\$ 1,259,035
Buildings and improvements	25,222,647	25,222,647			25,222,647	25,222,647
Technology equipment	1,367,182	1,219,710	19,983	14,803	1,387,165	1,234,513
Vehicles	2,083,494	1,916,769			2,083,494	1,916,769
General Equipment	222,241	207,137			222,241	207,137
Construction in Progress						
Food Service equipment			356,754	337,218	356,754	337,218
Total Capital Assets	<u>\$ 30,166,346</u>	<u>\$ 29,825,298</u>	<u>\$ 376,737</u>	<u>\$ 352,021</u>	<u>\$ 30,543,083</u>	<u>\$ 30,177,319</u>

Debt Administration

At June 30, 2007, the District had \$ 7,870,000 in bonds outstanding. Of this amount \$ 2,217,470 are to be paid from the KSFCC funding provided by the State. A total of \$ 520,000 is due within one year.

At June 30, 2006, the District had \$ 8,745,000 in bonds outstanding. Of this amount \$ 2,683,166 were to be paid from the KSFCC funding.

Questions regarding this report should be directed to the Superintendent, Mark Cleveland, or to his representative, Finance Officer Robert Stafford or by mail at the following address: Owen County School District, 1600 Highway 22 East, Owenton, Kentucky 40359.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 4,574,606	\$ 126,032	\$ 4,700,638
Inventory		21,906	21,906
Accounts Receivable	292,701	7,992	300,693
Notes Receivable			
Due from Other Funds			
Total Current Assets	<u>4,867,307</u>	<u>155,930</u>	<u>5,023,237</u>
<u>Noncurrent Assets</u>			
Capital Assets	30,166,346	376,737	30,543,083
Less: Accumulated Depreciation	<u>(10,533,520)</u>	<u>(280,109)</u>	<u>(10,813,629)</u>
Total Noncurrent Assets	<u>19,632,826</u>	<u>96,628</u>	<u>19,729,454</u>
 TOTAL ASSETS	 <u>\$ 24,500,133</u>	 <u>\$ 252,558</u>	 <u>\$ 24,752,691</u>
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 299,997	\$	\$ 299,997
Deferred Revenue	194,398		194,398
Due to Other Funds			
Current Portion of Bond Obligations	520,000		520,000
Current Portion of Accrued Sick Leave			
Total Current Liabilities	<u>1,014,395</u>	<u></u>	<u>1,014,395</u>
<u>Noncurrent Liabilities</u>			
Noncurrent Portion of Bond Obligations	7,350,000		7,350,000
Noncurrent Portion of Accrued Sick Leave	<u>79,591</u>	<u></u>	<u>79,591</u>
Total Noncurrent Liabilities	<u>7,429,591</u>	<u></u>	<u>7,429,591</u>
 TOTAL LIABILITIES	 <u>\$ 8,443,986</u>	 <u>\$</u>	 <u>\$ 8,443,986</u>
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 11,762,826	\$ 96,628	\$ 11,859,454
Restricted For:			
Capital Projects			
Other Purposes:(nonexpendable)	1,207,465	21,906	1,229,371
Unrestricted	<u>3,085,856</u>	<u>134,024</u>	<u>3,219,880</u>
 TOTAL NET ASSETS	 <u>\$ 16,056,147</u>	 <u>\$ 252,558</u>	 <u>\$ 16,308,705</u>

The notes to the basic financial statement are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 9,064,242	\$	\$ 1,733,333	\$	\$ (7,330,908)	\$	\$ (7,330,908)
Support Services:							
Student	619,395				(619,395)		(619,395)
Instruction Staff	510,701				(510,701)		(510,701)
District Administrative	352,364				(352,364)		(352,364)
School Administrative	931,536				(931,536)		(931,536)
Business	520,180				(520,180)		(520,180)
Plant Operation and Maintenance	2,031,413				(2,031,413)		(2,031,413)
Student Transportation	1,103,867				(1,103,867)		(1,103,867)
Food Service Operation	19,272				(19,272)		(19,272)
Facilities Acquisition and Construction							
Community Service Activities	250,506				(250,506)		(250,506)
Other							
Interest on Long-Term Debt	297,245			144,690	(152,555)		(152,555)
Depreciation	750,799				(750,799)		(750,799)
Total Governmental Activities	16,451,519		1,733,333	144,690	(14,573,496)		(14,573,496)
Business-Type Activities:							
Food Service	955,094	334,989	550,931			(69,173)	(69,173)
Total Business-Type Activities	955,094	334,989	550,931			(69,173)	(69,173)
Total Primary Government	\$ 17,406,613	\$ 334,989	\$ 2,284,264	\$ 144,690	\$ (14,573,496)	\$ (69,173)	\$ (14,642,669)
General Revenues:							
Taxes:							
Property Taxes					\$ 2,413,003	\$	\$ 2,413,003
Motor Vehicle Taxes					370,512		370,512
Utility Taxes					425,069		425,069
Investment Earnings					314,580	7,345	321,924
State and Formula Grants					11,393,892	84,377	11,478,270
Gains on Sales of Fixed Assets					6,259		6,259
Transfers In							
Miscellaneous					77,529		77,529
Change in Net Assets					427,347	22,549	449,896
Net Assets - Beginning					15,628,800	230,009	15,858,809
Net Assets - Ending					\$ 16,056,147	\$ 252,558	\$ 16,308,705

The notes to the basic financial statement are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Special Revenue	Debt Service Fund	Building Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS AND RESOURCES						
Cash & cash equivalents	\$ 2,909,151	\$ 31,049	\$ 12,053	\$ 1,185,702	\$ 436,651	\$ 4,574,606
Accounts Receivable						
Accounts Receivable	53,802	170,331		68,568		292,701
Notes Receivable						
Dues from other funds						
TOTAL ASSETS AND RESOURCES	<u>\$ 2,962,953</u>	<u>\$ 201,380</u>	<u>\$ 12,053</u>	<u>\$ 1,254,270</u>	<u>\$ 436,651</u>	<u>\$ 4,867,307</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 268,012	\$ 6,982	\$ 12,053	\$	\$ 12,950	\$ 299,997
Deferred Revenue		194,398				194,398
Total Liabilities	<u>268,012</u>	<u>201,380</u>	<u>12,053</u>		<u>12,950</u>	<u>494,395</u>
Fund Balances						
Reserved for:						
Encumbrances		7,022			13,493	20,515
SFCC Escrow					232,248	232,248
Technology Escrow	311,715					311,715
Construction Projects				579,209		579,209
Accrued Sick Leave	63,778					63,778
Unreserved:						
General Fund	2,319,448					2,319,448
Special Revenue Funds		(7,022)				(7,022)
Debt Service Funds						
Capital Projects Funds				675,061	177,960	853,021
Total Fund Balances	<u>2,694,941</u>			<u>1,254,270</u>	<u>423,701</u>	<u>4,372,912</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,962,953</u>	<u>\$ 201,380</u>	<u>\$ 12,053</u>	<u>\$ 1,254,270</u>	<u>\$ 436,651</u>	<u>\$ 4,867,307</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATE OF NET ASSETS
JUNE 30, 2007

Total Fund Balance per Fund Financial Statements	\$ 4,372,912
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	19,632,826
Certain liabilities(such as bonds payable, the long-term portion of accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(7,949,591)</u>
Net Assets for Governmental Activities	<u>\$ 16,056,147</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General Fund	Special Revenue	Debt Service Fund	Building Fund	Other Governmental Funds	Totals (Memorandum Only)
Revenues:						
From local sources:						
Taxes:						
Property	\$ 2,145,695	\$	\$	\$ 242,795	\$	\$ 2,388,490
Motor Vehicle	370,512					370,512
Utilities				425,069		425,069
Other	24,512					24,512
Tuition and fees						
Earnings on Investments	225,657	388		64,661	23,873	314,580
Other local revenues	20,195	57,334				77,529
Intergovernmental - State	9,800,487	816,937		604,198	172,270	11,393,892
Intergovernmental - Indirect federal	60,247	1,673,086				1,733,333
Intergovernmental - Direct federal						
	<u>12,647,306</u>	<u>2,547,745</u>		<u>1,336,723</u>	<u>196,143</u>	<u>16,727,917</u>
Total Revenues						
Expenditures:						
Instruction	7,352,640	2,052,649				9,405,290
Support Services:						
Student	569,924	49,471				619,395
Instructional staff	316,456	194,245				510,701
District administration	352,364					352,364
School administration	931,536					931,536
Business	486,671	33,509				520,180
Plant operations and maintenance	1,894,803	2,684			133,926	2,031,413
Student transportation	1,103,867					1,103,867
Food Services	19,272					19,272
Community Service	8,807	241,699				250,506
Facilities acquisition & construction					55,039	55,039
Debt Service						
Principal			672,000			672,000
Interest			297,245			297,245
Other						
Total Expenditures	<u>13,036,340</u>	<u>2,574,257</u>	<u>969,245</u>		<u>188,965</u>	<u>16,768,808</u>
Excess (deficit) of revenues over expenditures	<u>(389,034)</u>	<u>(26,512)</u>	<u>(969,245)</u>	<u>1,336,723</u>	<u>7,178</u>	<u>(40,890)</u>
Other Financing Sources (Uses):						
Proceeds from sale of assets	6,259					6,259
Bond principal proceeds	(1)					(1)
Operating transfers in		27,082	969,245		4,159	1,000,486
Operating transfers out	(30,671)	(570)		(969,245)		(1,000,486)
Total Other Financing Sources(Uses)	<u>(24,413)</u>	<u>26,512</u>	<u>969,245</u>	<u>(969,245)</u>	<u>4,159</u>	<u>6,258</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(413,447)</u>			<u>367,478</u>	<u>11,337</u>	<u>(34,632)</u>
Fund balance July 1, 2006	<u>3,108,388</u>			<u>886,792</u>	<u>412,364</u>	<u>4,407,544</u>
Fund balance June 30, 2007	<u>\$ 2,694,941</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,254,270</u>	<u>\$ 423,701</u>	<u>\$ 4,372,912</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in total fund balances per fund financial statements	\$ (34,632)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	(409,751)
Bond and capital lease payments are recognized as expenditures of current Financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	816,691
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>55,039</u>
Change in net assets of governmental activities	<u>\$ 427,347</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 2,368,000	\$ 2,419,002	\$ 2,540,720	\$ 121,718
Other local revenues	87,500	210,700	240,102	29,402
Intergovernmental - State	7,446,852	7,458,425	9,800,487	2,342,062
Intergovernmental - Indirect federal	20,000	50,000	60,247	10,247
Other Sources	1,500	9,751	12,010	2,259
Total Revenues	<u>9,923,852</u>	<u>10,147,878</u>	<u>12,653,566</u>	<u>2,505,688</u>
Expenditures:				
Instruction	5,668,340	5,706,766	7,352,640	(1,645,874)
Support Services:				
Student	484,411	498,258	569,924	(71,666)
Instructional staff	260,404	265,858	316,456	(50,598)
District administration	456,869	343,171	352,364	(9,193)
School administration	814,644	825,972	931,536	(105,564)
Business	497,115	493,894	486,671	7,223
Plant operations and maintenance	1,372,609	2,038,992	1,894,803	144,189
Student transportation	1,127,610	1,190,737	1,103,867	86,870
Food Services	3,500	20,727	19,272	1,455
Community Service		7,487	8,807	(1,320)
Facilities acquisition & construction				
Debt Service				
Other	1,124,771	1,552,688	30,673	1,522,015
Total Expenditures	<u>11,810,273</u>	<u>12,944,550</u>	<u>13,067,013</u>	<u>(122,464)</u>
Excess (deficit) of revenues over expenditures	<u>(1,886,421)</u>	<u>(2,796,672)</u>	<u>(413,447)</u>	<u>2,383,224</u>
Other Financing Sources (Uses):				
Proceeds from sale of assets				
Operating transfers in				
Operating transfers out				
Total Other Financing Sources(Uses)				
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,886,421)</u>	<u>(2,796,672)</u>	<u>(413,447)</u>	<u>2,383,224</u>
Fund balance July 1, 2006	<u>1,886,421</u>	<u>2,796,672</u>	<u>3,108,388</u>	<u>311,716</u>
Fund balance June 30, 2007	<u>\$</u>	<u>\$</u>	<u>\$ 2,694,941</u>	<u>\$ 2,694,940</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$	\$	\$	\$
Other local revenues		93,865	57,721	(36,144)
Intergovernmental - State	745,414	843,122	816,937	(26,185)
Intergovernmental - Indirect federal	1,214,312	2,137,777	1,673,086	(464,691)
Other Sources	25,000	27,082	27,082	
Total Revenues	<u>1,984,726</u>	<u>3,101,846</u>	<u>2,574,826</u>	<u>(527,020)</u>
Expenditures:				
Instruction	1,601,744	2,508,867	2,052,649	456,218
Support Services:				
Student	38,250	64,098	49,471	14,627
Instructional staff	101,716	303,396	194,245	109,151
District administration				
School administration				
Business	59,571	52,653	33,509	19,144
Plant operations and maintenance	1,100	1,940	2,684	(744)
Student transportation	1,805	1,805		1,805
Food Services				
Community Service	180,540	168,517	241,698	(73,181)
Facilities acquisition & construction				
Debt Service				
Other		570	570	
Total Expenditures	<u>1,984,726</u>	<u>3,101,846</u>	<u>2,574,826</u>	<u>527,020</u>
Excess (deficit) of revenues over expenditures				
Other Financing Sources (Uses):				
Proceeds from sale of assets				
Operating transfers in				
Operating transfers out				
Total Other Financing Sources(Uses)				
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses				
Fund balance July 1, 2006				
Fund balance June 30, 2007	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Food Service Fund	Total
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 126,032	\$ 126,032
Inventory	21,906	21,906
Accounts Receivable	7,992	7,992
Total Current Assets	<u>155,930</u>	<u>155,930</u>
<u>Noncurrent Assets</u>		
Capital Assets	376,737	376,737
Less: Accumulated Depreciation	<u>(280,109)</u>	<u>(280,109)</u>
Total Noncurrent Assets	<u>96,628</u>	<u>96,628</u>
 Total Assets	 <u>\$ 252,558</u>	 <u>\$ 252,558</u>
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	\$	\$
Due to Other Funds	<u></u>	<u></u>
Total Current Liabilities	<u></u>	<u></u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	96,628	96,628
Reserved for Inventories	21,906	21,906
Unrestricted	<u>134,024</u>	<u>134,024</u>
Total Net Assets	<u>\$ 252,558</u>	<u>\$ 252,558</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Food Service Fund	Total
Operating Revenues:		
Tuition	\$	\$
Other	593	593
Lunchroom sales	334,396	334,396
Total Operating Revenues	<u>334,989</u>	<u>334,989</u>
Operating Expenses:		
Salaries and wages	388,095	388,095
Employee Benefits	150,474	150,474
Materials & Supplies	418,310	418,310
Contract Services	23,056	23,056
Depreciation Expense	14,346	14,346
Other operating expenses	7,347	7,347
Total Operating Expenses	<u>1,001,628</u>	<u>1,001,622</u>
Operating income (loss)	<u>(666,639)</u>	<u>(666,639)</u>
Non-Operating Revenues (Expenses)		
Federal grants	550,931	550,931
Donated commodities	46,535	46,535
State grants	12,522	12,522
Other state funding	71,855	71,855
Interest income	7,345	7,345
Non-Operating Revenues (Expenses)	<u>689,188</u>	<u>689,188</u>
Net Income	22,549	22,549
Net Assets July 1, 2006	<u>230,009</u>	<u>230,009</u>
Net Assets June 30, 2007	<u>\$ 252,558</u>	<u>\$ 252,558</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

Cash Flows from Operating Activities:	
Net Income	\$ 22,549
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in assets & liabilities:	
Depreciation	14,346
Inventories	7,239
Accounts Receivable	133
Accounts Payable	1
Gain on Sale of Asset	<u> </u>
Net cash provided by operating activities:	44,268
Cash flows from capital & related financial activities:	
Acquisition of capital assets	<u>(24,716)</u>
Net cash used by capital & related financial activities	<u>(24,716)</u>
Increase in cash & cash equivalents	19,552
Cash and cash equivalents, July 1, 2006	<u>106,481</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 126,033</u> <u>0</u>
Schedule of Non-Cash Transactions:	
Donated commodities received from federal government	<u>\$ 46,535</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

Tied to Analytical and Activity Fund Page

	Private Purposes Trust Funds	Agency Fund	Total
Assets			
Cash and Cash Equivalents	\$ 311,256	\$ 203,365	\$ 514,620
Total Assets	<u>\$ 311,256</u>	<u>\$ 203,365</u>	<u>\$ 514,620</u>
Net Assets			
Restricted For:			
Scholarships	\$ 311,256	\$	\$ 311,256
Student Groups		203,365	141,628
Total Net Assets	<u>\$ 311,256</u>	<u>\$ 203,365</u>	<u>\$ 452,884</u>

The notes to the basic financial statements are an integral part of this statement.

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Funds	Agency Fund	Total
Revenues:			
From local sources:			
Student Activities	\$	\$ 528,438	\$ 528,438
Interest Income	17,228		17,228
Other local revenues			
Total Revenues	<u>17,228</u>	<u>528,438</u>	<u>545,665</u>
Expenditures:			
Other	9,500		9,500
Student Activities		518,306	518,306
Total Expenditures	<u>9,500</u>	<u>518,306</u>	<u>527,806</u>
Excess (deficit) of revenues over expenditures	7,728	10,132	17,860
Other Financing Sources (Uses):			
Operating transfers in			
Operating transfers out			
Total Other Financing Sources(Uses)			
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	7,728	10,132	17,860
Fund balance July 1, 2006	<u>303,528</u>	<u>193,233</u>	<u>496,761</u>
Fund balance June 30, 2007	<u>\$ 311,256</u>	<u>\$ 203,365</u>	<u>\$ 514,620</u>

The notes to the basic financial statements are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Owen County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Owen County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Owen County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Owen County Board of Education Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Owen County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The non-current portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

OWEN COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,011,894 and the bank balance was \$5,322,933. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Land	\$ 1,259,035	\$ 11,747	\$	\$ 1,270,782
Buildings and improvements	25,222,647			25,222,647
Technology equipment	1,219,710	147,472		1,367,182
Vehicles	1,916,769	166,725		2,083,494
General Equipment	207,137	15,104		222,241
Construction in Progress				
Totals at historical cost	<u>29,825,298</u>	<u>341,048</u>		<u>30,166,346</u>
Less: accumulated depreciation				
Buildings and improvements	7,401,632	551,465		7,953,097
Technology equipment	920,945	117,824		1,038,769
Vehicles	1,312,921	72,359		1,385,280
General Equipment	147,223	9,151		156,374
Total accumulated depreciation	<u>9,782,721</u>	<u>750,799</u>		<u>10,533,520</u>
Governmental Activities Capital Assets-Net	<u>\$ 20,042,577</u>	<u>\$ (409,751)</u>	<u>\$</u>	<u>\$ 19,632,826</u>
 <u>Business-Type Activities</u>				
Food service and equipment	\$ 337,218	\$ 19,536	\$	\$ 356,754
Technology equipment	14,803	5,180		19,983
Totals at historical cost	<u>352,021</u>	<u>24,716</u>		<u>376,737</u>
Less: accumulated depreciation				
Food service and equipment	254,227	12,711		266,938
Technology equipment	11,536	1,635		13,171
Total accumulated depreciation	<u>265,763</u>	<u>14,346</u>		<u>280,109</u>
Business-Type Activities Capital Assets-Net	<u>\$ 86,258</u>	<u>\$ 10,370</u>	<u>\$</u>	<u>\$ 96,628</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Owen County School District Finance Corporation, with original amounts of issue totaling \$13,130,000.

OWEN COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Owen County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities, and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The bonds may be called prior to maturity dates at redemption premiums specified in each issue. The original amount of the issue, the issue dates, and interest rates are summarized below:

Issue	Original Principal Amount	Interest Rates	Principal Outstanding at 6/30/07	Maturity Date
Series of March 1, 2003	\$ 355,000	2.00%-2.90%	\$ 250,000	9/1/2014
Series of October 1, 2001	10,450,000	4.00%-5.25%	7,030,000	4/1/2021
Series of June 1, 1998	2,325,000	3.75%-4.40%	590,000	12/1/2009
	<u>\$ 13,130,000</u>		<u>\$ 7,870,000</u>	

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2007, for debt service, (principal and interest) are as shown below:

Year	Owen County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2008	\$ 295,510	\$ 268,709	\$ 224,490	\$ 98,948	\$ 887,657
2009	312,518	256,238	242,482	89,275	900,513
2010	325,221	242,722	249,779	78,873	896,595
2011	335,081	229,852	129,919	71,063	765,915
2012	350,284	214,931	124,716	65,539	755,470
2013	365,119	199,317	129,881	60,258	754,575
2014	384,346	182,061	135,654	54,484	756,545
2015	404,477	163,582	135,523	48,425	752,007
2016	425,474	143,999	124,526	42,251	736,250
2017	444,246	122,725	130,754	36,025	733,750
2018	467,709	100,513	137,291	29,487	735,000
2019	490,844	77,127	144,156	22,623	734,750
2020	513,635	52,585	151,365	15,415	733,000
2021	538,066	26,903	156,934	7,847	729,750
Total	<u>\$ 5,652,530</u>	<u>\$ 2,281,263</u>	<u>\$ 2,217,470</u>	<u>\$ 720,514</u>	<u>\$ 10,871,777</u>

NOTE F – RETIREMENT PLANS

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

Certified employees are covered under KTRS. Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE).

NOTE F – RETIREMENT PLANS (continued)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 13.19% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$9,261,845. The payroll for employees covered under KTRS was \$6,856,080 and for CERS was \$2,403,765.

The contribution requirement for CERS for the year ended June 30, 2007 was \$437,247 which consisted of \$317,057 from the Board and \$120,190 from the employees. The contribution requirement for KTRS for the year ended June 30, 2007 was \$753,994 which consisted of \$78,129 from the Board and \$675,865 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2006 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE G - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE H - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE I - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

OWEN COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. The General Fund did however have expenditures in excess of revenues of \$389,034.

NOTE L - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Building	Debt Service	Debt Service	\$ 968,245
General	Construction	Construction	\$ 4,159
General	Special Revenue	Technology Match	\$ 26,512

SUPPLEMENTARY INFORMATION

OWEN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Construction Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
Assets & Resources:			
Cash & cash equivalents	\$ 190,695	\$ 245,956	\$ 436,651
Accounts Receivable			
Accounts Receivable			
Notes Receivable			
Inventory			
Net Property Plant & Equipment			
Dues from other funds			
Amounts to be provided for retirement of General Long-Term Obligations			
Total Assets & Resources	<u>\$ 190,695</u>	<u>\$ 245,956</u>	<u>\$ 436,651</u>
Liabilities & Fund Balances:			
Liabilities:			
Accounts payable	\$	\$ 12,950	12,950
Due to other funds			
Deferred Revenue			
Total Liabilities		<u>12,950</u>	<u>12,950</u>
Fund Balances			
Reserved for:			
Encumbrances	13,493		13,493
SFCC Escrow	229,982	2,266	232,248
Accrued Sick Leave			
Unreserved:			
General Fund			
Special Revenue Funds			
Capital Projects Funds	(52,780)	230,740	177,960
Debt Service Funds			
Permanent Funds			
Total Fund Balances	<u>190,695</u>	<u>233,006</u>	<u>423,701</u>
Total Liabilities & Fund Balances	<u>\$ 190,695</u>	<u>\$ 245,956</u>	<u>\$ 436,651</u>

OWEN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Construction Fund	SEEK Capital Outlay Revenue	Total Nonmajor Governmental Fund
Revenues:			
From local sources:			
Earnings on Investments	\$ 11,593	\$ 12,280	23,873
Other local revenues			-
Intergovernmental - State		172,270	172,270
Total Revenues	<u>11,593</u>	<u>184,550</u>	<u>196,143</u>
Expenditures:			
Instruction			
Support Services:			
Student			
Instructional staff			
District administration			
School administration			
Business			
Plant operations and maintenance		133,926	133,926
Student transportation			
Central office			
Food Services			
Community Services			
Non-Instructional			
Facilities acquisition & construction	55,039		55,039
Debt Service			
Principal			
Interest			
Other			
Total Expenditures	<u>55,039</u>	<u>133,926</u>	<u>188,965</u>
Excess (deficit) of revenues over expenditures	(43,446)	50,624	7,178
Other Financing Sources (Uses):			
Proceeds from sale of assets			
Proceeds from sale of bonds			
Operating transfers in	4,159		4,159
Operating transfers out			
Total Other Financing Sources(Uses)	<u>4,159</u>		<u>4,159</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(39,287)	50,624	11,337
Fund balance July 1, 2006	<u>229,982</u>	<u>182,382</u>	<u>412,364</u>
Fund balance June 30, 2007	<u>\$ 190,695</u>	<u>\$ 233,006</u>	<u>\$ 423,701</u>

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OWEN COUNTY HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

Accounts	Cash Balances July 1, 2006	Receipts	Disbursements	Cash Balances June 30, 2007	Accounts Receivable June 30, 2007	Accounts Payable June 30, 2007	Fund Balances June 30, 2007
Athletics Director	\$ 483	\$ 64,248	\$ 63,166	\$ 1,564	\$	\$	\$ 1,564
Football		19,708	15,280	4,428			4,428
Boys Basketball	5,290	16,268	15,998	5,560			5,560
Girls Basketball	1,636	14,721	10,447	5,910			5,910
Baseball	7,835	11,459	17,206	2,089			2,089
Softball	2,744	10,023	11,887	880			880
Boys Soccer	1,149	5,699	4,569	2,278			2,278
Soccer -All A State		8,565	744	7,821			7,821
Girls Soccer	231	6,699	5,277	1,654			1,654
Boys Golf	5	1,745	482	1,268			1,268
Girls Golf	327	1,826	1,949	205			205
Varsity Cheerleaders	2,273	5,105	6,963	415			415
Cross Country	751	2,548	2,175	1,124			1,124
Track	5	6,630	4,448	2,187			2,187
Volleyball	655	495	1,141	9			9
Academic Team	21	525		546			546
Annual	8,655	13,722	5,900	16,477			16,477
Art Club	312			312			312
Band	23	1,235	735	523			523
Beta Club	968	1,407	1,011	1,363			1,363
Rebel Times Paper	238			238			238
FBLA	111	961	945	127			127
FCA	955	488	903	540			540
FEA		432	196	235			235
FFA	124	1,278	1,211	190			190
FHA/FCCLA	1,170	807	1,556	421			421
Foreign Language	201	225	426	0			0
Great Outdoors Club	108			108			108
Industrial Arts	201	270		471			471
Science Club	294	708	60	941			941
National Honor Soc	1,590	3,774	2,874	2,490			2,490
SADD	127	184	187	125			125
Student Council	2,278	1,074	861	2,491			2,491
Upward Bound	64			64			64
Judo Club	185	10,711	10,237	659			659
"Y" Club	492	2,806	2,480	818			818
Chess Club	3	70	40	34			34
Senior Class	159	6,908	6,166	901			901
Junior Class	2,102	16,731	16,996	1,837			1,837
Sophomore	364	780	582	562			562
Freshman Class	305	550	658	197			197
Ag Class	68	155	85	138			138
Banking & Finance	403	200	601	2			2
Business Classes	96	1,974	329	1,741			1,741
Comm. Based Inst.	131	119	229	21			21
Drama Club	7,953	6,474	7,453	6,974			6,974
English	86	893		979			979
Foods-Roberts	70	830	847	52			52
Webster- Supplies	191	888	1,033	46			46
Webster- Emb	82	743	647	178			178

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OWEN COUNTY HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

Accounts	Cash Balances July 1, 2006	Receipts	Disbursements	Cash Balances June 30, 2007	Accounts Receivable June 30, 2007	Accounts Payable June 30, 2007	Fund Balances June 30, 2007
Special Education	1,761		692	1,069			1,069
Student Body	9,005	18,596	11,805	15,795			15,795
Student Fees	4,113	8,134	12,232	15			15
Student Rewards		4,624	3,080	1,544			1,544
Student Trips		1,460	1,446	14			14
Peps/Teacher	713	1,551	1,317	947			947
Guidance	179	4,501	4,316	364			364
Library	665	135	226	574			574
STLP	1,698	6,892	7,903	687			687
CATS	193	1,000	999	194			194
Landscaping Fund	30			30			30
Novel Star	2,524	2,240		4,764			4,764
YSC	855	584	1,214	225			225
Scholarship Fund	4,229	1,512	128	5,614			5,614
USDA Grant Greenhouse	1,267			1,267			1,267
Total	\$ 80,745	\$ 304,886	\$ 272,337	\$ 113,294	\$	\$	\$ 113,294

OWEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MIDDLE AND ELEMENTARY SCHOOLS
YEAR ENDED JUNE 30, 2007

School	Cash Balances July 1, 2006	Receipts	Disbursements	Cash Balances June 30, 2007	Accounts Receivable June 30, 2007	Accounts Payable June 30, 2007	Fund Balances June 30, 2007
Primary	\$ 48,719	\$ 45,912	\$ 63,057	\$ 31,574	\$	\$	\$ 31,574
Elementary	19,393	64,067	61,347	22,113			22,113
Middle School	<u>44,376</u>	<u>113,572</u>	<u>121,565</u>	<u>36,383</u>			<u>36,383</u>
Total	<u>\$ 112,488</u>	<u>\$ 223,551</u>	<u>\$ 245,969</u>	<u>\$ 90,071</u>	<u>\$</u>	<u>\$</u>	<u>\$ 90,071</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OWEN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

	CFDA Number	Pass- Through Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Title I, Grants to Local Educational Agencies 06-07	84.010	3100002 06	\$ 353,350
Title I, Grants to Local Educational Agencies 05-06	84.010	3100002 05	130,568
Title I, Grants to Local Educational Agencies District Improvement	84.010	3100202 06	34,548
Title I, Grants to Local Educational Agencies School Improvement	84.010	3100202 06	2,745
Title I, Grants to Local Educational Agencies Parent Involvement	84.010	3100202 06	8,069
			<hr/> 529,280
Vocational Education_Basic Grants to States 06-07	84.048	4620732 06	18,594
Vocational Education_Basic Grants to States 05-06	84.048	4620732 06	420
Vocational Education_Basic Grants to States 05-06	84.048	4620732 06	933
			<hr/> 19,947
Migrant Education_State Grant Program 06-07	84.011A	3110002 06	29,761
Migrant Education_State Grant Program 05-06	84.011A	3110002 05	5,949
			<hr/> 35,710
Special Education Cluster:			
Special Education_Grants to States 06-07	84.027	3810002 06	311,054
Special Education_Grants to States 05-06	84.027	3810002 05	12,500
Special Education_Preschool Grants	84.173	3800002 06	19,220
			<hr/> 342,774
Education Technology State Grants	84.318X	3210002 06	3,605
Education Technology State Grants	84.318X	3210002 05	23
			<hr/> 3,628
Improving Teacher Quality State Grants	84.367A	3230002 06	24,116
Improving Teacher Quality State Grants	84.367A	3230002 05	88,491
			<hr/> 112,607
Safe and Drug Free Schools and Communities_State Grants	84.186	3410002 06	3,847
Safe and Drug Free Schools and Communities_State Grants	84.186	3410002 05	12,976
Safe and Drug Free Schools and Communities_State Grants	84.186	3410002 04	856
			<hr/> 17,679
English Language Acquisition Grant	84.365	330002 06	6,042
21st Century Community Learning Centers	84.287	3400002 06	97,644
21st Century Community Learning Centers	84.287	3400002 05	36,718
21st Century Community Learning Centers	84.287	3400002 05	5,000
			<hr/> 139,362
State Grants for Innovative Programs	84.298	3500002 06	3,109
State Grants for Innovative Programs	84.298	3500002 05	1,450
State Grants for Innovative Programs	84.298	3500002 05	38
			<hr/> 4,597
Adult Education_State Grant Program	84.002	3737	19,437
Adult Education_State Grant Program	84.002	3737	1,283
Adult Education_State Grant Program	84.002	3737	2,665
			<hr/> 23,385
Tech-Prep Education	84.367	3230002 06	7,820
Teaching American History	84.215X	5667	197,290
Reading First_State Grant	84.357	3150002 05	203,094
Reading First_State Grant	84.357	3150002 04	28,371
			<hr/> 231,465
Hurricane Emergency Impact	84.938	4000002 05	1,500
			<hr/> 1,673,086
Total U.S. Department of Education			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Kentucky Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 07	313,391
National School Lunch Program	10.555	7750002 06	80,425
School Breakfast Program	10.553	7760005 07	114,550
School Breakfast Program	10.553	7760005 06	30,954
Nutrition and Health - State	10.555	7750008 07	12,522
Nutrition and Health	10.559	7690024 06	1,060
Nutrition and Health	10.559	7740023 06	10,551
			<hr/> 563,453
Passed through Kentucky Department of Agriculture			
Food Donations	10.550	057502 02	46,535
			<hr/> 609,988
Total U.S. Department of Agriculture			
TOTAL FEDERAL FINANCIAL AWARDS			\$ 2,283,074

OWEN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Owen County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OWEN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.555, 10.553, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish Between type A and type B programs:	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

OWEN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2007

There were no prior year audit findings.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

JAMES CLOUSE, C.P.A.

BERNADETTE SMITH, C.P.A.

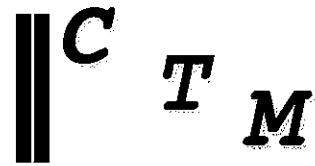
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Owen County Board of Education
Owenton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Owen County Board of Education (the Board) as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the Board's internal control over financial reporting..

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatements of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Owen County Board of Education, federal awarding agencies and pass-through entities, and the Kentucky State Committee for School District Audits and is not intended to be and should not be used by anyone other than these specified parties.

Charles T. Mitchell Co.

September 21, 2007

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Charles T. Mitchell Company, LLP

Certified Public Accountants

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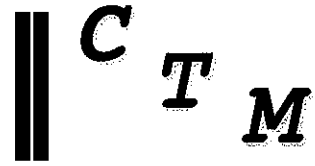
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education
Owen County School District
Owenton, Kentucky

Compliance

We have audited the compliance of Owen County School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Owen County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Owen County School District's management. Our responsibility is to express an opinion on Owen County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owen County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Owen County School District's compliance with those requirements.

In our opinion, Owen County School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007

Internal Control Over Compliance

The management of Owen County School District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Owen County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance..

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to

administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above

This report is intended solely for the information and use of management of the Owen County Board of Education, members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles T. Mitchell Co.

September 21, 2007

MANAGEMENT LETTER COMMENTS

Charles T. Mitchell Company, LLP

Certified Public Accountants

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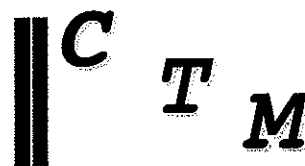
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Owen County Board of Education
Owenton, Kentucky 40050

We have examined the financial statements of Owen County Board of Education for the year ended June 30, 2007 and have issued our report thereon dated September 30, 2007. As part of our examination, we made a study and evaluation of the Owen County Board of Education's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Owen County Board of Education's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Owen County Board of Education is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Owen County Board of Education taken as a whole. We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses.

Follow-Up On Prior Year Recommendations

1. Pre-numbered ticket stubs are now attached to the Report of Ticket Sales in adherence to Red Book requirements.
2. Invoices for the activity funds at the High School are being paid on a timely basis.

We have enjoyed working with the management and staff of the Owen County Board of Education and look forward to a continuing, mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted:

Charles T. Mitchell Co.

September 21, 2007